

Message Text

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FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC 9525

S E C R E T SECTION 1 OF 4 PRAGUE 0241

E.O. 11652: GDS

TAGS: PFOR US CZ

SUBJECT: ANNUAL POLICY ASSESSMENT FOR CZECHOSLOVAKIA

REF: 75 STATE 289641, PARAGRAPH 2

1. U.S. INTERESTS IN CZECHOSLOVAKIA AND ITS PLACE IN U.S.
POLICY PRIORITIES:

OUR INTEESTS IN CZECHOSLOVAKIA REMAIN ESSENTIALLY
UNCHANGED FROM STATEMENTS OF THEM IN PREVIOUS POLICY PAPERS
(THE MOST RECENT OF WHICH WAS STATE 152840 FROM THE 1975
ASSESSMENT PROCESS). WE WISH TO SEE CZECHOSLOVAKIA EVOLVE
INTO A MORE INDEPENDENT COUNTRY WHOSE LEADERSHIP IS MORE
RESPONSIVE TO THE DESIRES OF THE PEOPLE; AND WE WISH TO
MAINTAIN OR RECAPTURE THE IDENTIFICATION OF THE CZECH AND
SLOVAK PEOPLES WITH THE WEST AND WITH THE UNITED STATES IN
PARTICULAR. THE FIRST IS NOT GREATLY SUSCEPTIBLE TO INFLUENCE BY
U.S. POLICIES; WE DO HAVE A CERTAIN COMPETENCE TO PROMOTE
THE SECOND.

ALTHOUGH THESE ARE BASIC U.S. GOALS IN ALL OF EASTERN
EUROPE, CZECHOSLOVAKIA IS PECULIAR FOR AMERICAN POLICY IN
TWO WAYS. FIRST, HISTORY IS ON OUR SIDE IN THE SENSE THAT THE
U.S. PLAYED A GREAT ROLE IN CZECHOSLOVAKIA'S INDEPENDENCE
AND HER PEOPLES REMAIN IN MANY WAYS THE MOST WESTERN OF
ALL THE EAST EUROPEAN COUNTRIES. SECOND, THE SOVIET OCCUPA-
TION BEGUN IN 1968 HAS DEPRIVED THE CZECHOSLOVAK LEADERSHIP
OF FREEDOM OF ACTION AND VASTLY ACCENTUATED THE BUREAUCRATIC
FEARFULNESS THAT ALWAYS EXISTED HERE. THE PROMISE OF THE
WEST'S ROLE IN CZECHOSLOVAKIA THUS REMAINS GREAT, BUT THIS
PROMISE REINFORCES THE NEGATIVE TENDENCIES, AND IMPOSES

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UPON US A SPECIAL NEED FOR CAUTION AND PATIENCE.

IN RECENT YEARS THE WESTERN COUNTRIES HAVE HAD TO

DECIDE WHETHER TO CONTINUE TO IMPOSE PARIAH STATUS UPON THE POST-DUBCEK LEADERSHIP. GRADUALLY THEY HAVE EACH DECIDED NOT TO DO THAT: IN EFFECT EVERY MAJOR WESTERN COUNTRY HAS NOW ACCEPTED THE HUSAK REGIME AND HAS OPTED FOR INFLUENCING THAT REGIME FOR THE BETTER BY NORMALIZATION OF RELATIONS WITH IT. NONE OF US IS TOTALLY CONTENT WITH THIS POLICY, AS WITNESS SWEDISH PRIME MINISTER PALME'S CONTINUING ATTACKS ON HUSAK, BUT WITH INDIVIDUAL VARIATIONS THE POLICY IS IN EFFECT. STRANGELY ENOUGH, IT IS OTHER COMMUNISTS WHO STILL WANT TO MAKE USE OF "THE CZECHOSLOVAK QUESTION," FOR EXAMPLE IN THE EUROPEAN COMMUNIST PARTY CONFERENCE CONTEXT. WE ARE PERSUADED AT THIS EMBASSY THAT EVEN IF PUBLIC OPINION IN THE WEST AND CERTAIN COMMUNIST PARTIES CONTINUE TO RAISE "THE CZECHOSLOVAK QUESTION," IT IS IN THE U.S. INTEREST NOT TO FOLLOW THIS COURSE BUT TO WORK WITH THE HUSAK LEADERSHIP IN ORDER TO FOSTER LIBERALIZATION AT HOME AND NORMALIZATION OF RELATIONS ABROAD. THIS POLICY ACCORDS WITH OUR POLICY TOWARDS THE SOVIET UNION IN THAT WE AVOID THREATENING SOVIET SECURITY INTERESTS WHILE AT THE SAME TIME MAINTAINING OUR OWN PRINCIPLES IN DEALING WITH CZECHOSLOVAKIA AND OTHER EAST EUROPEAN STATES AS SOVEREIGN COUNTRIES. THIS POLICY WAS PITHILY DESCRIBED BY THE COUNSELOR OF THE DEPARTMENT AT THE LONDON CHIEFS OF MISSION CONFERENCE IN DECEMBER AS AIMING AT THE EVENTUAL "FINLANDIZATION OF EASTERN EUROPE." IN CZECHOSLOVAKIA THERE ARE NO DOUBT REASONS FOR PRUDENCE, FOR AS AGREED DURING THE POLICY ASSESSMENT PROCESS LAST YEAR, ANY ABRUPT SHIFTS IN CZECHOSLOVAK POLICY COULD BE DESTABILIZING. OUR JUDGEMENT, HOWEVER, IS THAT THERE IS VERY LITTLE DANGER OF SUDDEN SHIFTS, AND CERTAINLY NOT BECAUSE OF ANY VARIATION IN U.S. POLICY. THE LOCAL SCENE SEEMS STABLE ENOUGH AS WE HEAD FOR THE APRIL PARTY CONGRESS THAT WE WOULD IMAGINE CZECHOSLOVAKIA (DESPITE THE CONTINUED EXISTENCE OF "THE CZECHOSLOVAK QUESTION") TO BE ONE OF THE LEAST UNSTABLE COUNTRIES OF EASTERN EUROPE.

AMERICAN LEVERAGE IN HELPING CZECHOSLOVAKIA EVOLVE AWAY FROM THE TRAUMA OF THE WARSAW PACT INVASION OF 1968 AND TOWARDS A MORE NORMAL INTERNAL LIFE, AS WELL AS GREATER INDEPENDENCE, IS SEVERELY LIMITED. THIS IS PARTICULARLY TRUE BECAUSE THE LONG-GRAVEL AMENDMENT (SECTION 408 OF THE TRADE ACT OF 1974) HAS GIVEN SOME CZECHOSLOVAKS A REASON

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AND OTHERS AN EXCUSE FOR LIMITING THE NORMALIZATION OF U.S.-CSSR RELATIONS. WITHIN THESE LIMITS, HOWEVER, WE BELIEVE IT IS IN THE U.S. INTEREST TO MOVE AS RAPIDLY AS LOCAL CIRCUMSTANCES ALLOW TO NORMALIZE RELATIONS AND THUS AFFECT SOMEWHAT THE EVOLUTION OF THE INTERNAL CZECHOSLOVAK SITUATION.

THIS EMBASSY WOULD ARGUE THAT EACH COUNTRY IN EASTERN EUROPE IS UNIQUE, AND THAT U.S. POLICY IN ONE SHOULD NOT BE TAILORED TO CONDITIONS IN OTHERS. IF OUR OVERALL POLICY IS TO AFFECT CONDITIONS IN EACH COUNTRY FOR THE BETTER WITHIN THE FRAMEWORK OF FURTHERING U.S. INTERESTS BUT NOT DIRECTING THE

COUNTRY IN QUESTION AGAINST SOVIET INTERESTS, THEN WE SHOULD LOGICALLY MOVE AS EXPEDITIOUSLY IN EACH COUNTRY AS CAUTION AND OPPORTUNITY ALLOW. (INDEED ONE MIGHT SPECULATE, GIVEN THE LENGTH OF TIME OUR PARTICULAR RANK-ORDER HAS ENDURED, THAT IT IS IN A SENSE A SELF-FULFILLING PROPHECY. ONCE ON THE BOTTOM--OR AT THE TOP--A GIVEN COUNTRY IS LIKELY TO STAY THERE SIMPLY BECAUSE PROGRESS IN RELATIONS WILL REFLECT THAT REALITY.) WE DO NOT CONCEIVE OUR STEPS TOWARDS NORMALIZATION OF RELATIONS WITH CZECHOSLOVAKIA AS DOING THE HUSAK REGIME A FAVOR, BUT RATHER AS FURTHERING THE BASIC U.S. AND WESTERN INTERESTS DISCUSSED ABOVE. THEREFORE THIS EMBASSY WOULD CONTEND, AS WE HAVE PREVIOUSLY, THE NSDM-212 SHOULD BE REVISED AND THAT U.S. POLICY IN CZECHOSLOVAKIA SHOULD BE BASED UPON OUR INTERESTS AND OPPORTUNITIES IN THIS COUNTRY.

WITHIN THIS FRAMEWORK, WE DO NOT SUGGEST THAT CZECHOSLOVAKIA RANKS VERY HIGH IN OVERALL U.S. POLICY PRIORITIES. THE CONTINUING CONSERVATISM OF THE HUSAK LEADERSHIP, COUPLED WITH THE ROADBLOCK EFFECT OF THE LONG-GRAVEL AMENDMENT, MAKES HIGH-LEVEL STEPS FORWARD UNLIKELY. AT A LOWER LEVEL, HOWEVER, WE DO SEE RECEPTIVENESS AMONG CZECHS AND SLOVAKS AND AN OPPORTUNITY FOR U.S. INFLUENCE TO BE FELT. IN FACT WHEN WE CONSIDER THE LARGE RESOURCES OF ALL KINDS PUT INTO OTHER (AND ADMITTEDLY MORE RECEPTIVE) EE COUNTRIES, WE WONDER IF THE UNITED STATES WOULD NOT GET A BETTER RETURN BY EQUALIZING

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THE SITUATION SOMEWHAT AND PUTTING MORE ENERGY AND RESOURCES INTO AN EFFORT IN CZECHOSLOVAKIA AND THE OTHER LESS FAVORABLE COUNTRIES. THE QUESTION IN OUR MIND IS NOT WHETHER CZECHO-

SLOVAKIA "RANKS HIGH ENOUGH," BUT WHETHER WE ARE DOING ALL WE MIGHT TO FURTHER U.S. INTERESTS HERE.

2. BASIC U.S. OBJECTIVES IN CZECHOSLOVAKIA OVER THE NEXT TWO YEARS:

(A) DEAL WITH THE LONG-GRAVEL AMENDMENT AND ACCOMPLISH A CLAIMS AGREEMENT WHICH WILL SATISFY THE CONGRESS AND U.S. CLAIMANTS AND ENABLE THE CSSR TO GET THE GOLD BACK TAKEN BY THE NAZIS IN WORLD WAR II. THIS IS THE NECESSARY FIRST STEP TO ANY MEANINGFUL PROGRESS TOWARDS A POSSIBLE EXPANSION OF U.S. INFLUENCE IN CZECHOSLOVAKIA.

(B) ACHIEVE THOSE LESSER MEASURES POSSIBLE DESPITE LONG-GRAVEL, PARTICULARLY: (1) NEGOTIATION OF AN EXCHANGES AGREEMENT; (2) MUTUAL ABOLITION OF CLOSED AREAS; (3) RATIFICATION OF THE CONSULAR CONVENTION SIGNED IN 1973; (4) SEEK TO MEET THE CZECHOSLOVAK REQUEST FOR SHORTENING THE PRESENT FOURTEEN-DAY NOTIFICATION PERIOD FOR CSSR-FLAG SHIPS TO ENTER U.S. PORTS; (5) ARRANGEMENT OF MEDIUM OR HIGH-LEVEL VISITS, BEGINNING WITH AN INVITATION TO DEPUTY FOREIGN MINISTER SPACIL TO VISIT THE UNITED STATES IN RETURN FOR ASSISTANT SECRETARY HARTMAN'S VISIT TO PRAGUE IN OCTOBER 1975. (WE SHOULD ALSO CONTINUE TO DISCUSS THE OPENING OF CONSULATES GENERAL IN BRATISLAVA AND CHICAGO, BUT WE BELIEVE THE PARTY AUTHORITIES HAVE RULED OUT THIS STEP PRIOR TO SOME REMEDIAL ACTION ON LONG-GRAVEL.)

(C) CONTINUE TO PRESS FOR FAMILY REUNIFICATION.

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(D) AMELIORATE THE BAD PRESS TREATMENT GIVEN THE UNITED STATES, THROUGH CONTINUOUSLY CALLING THE GOC'S ATTENTION TO THIS PROBLEM, AND SEEK FREER ENTRY FOR U.S. JOURNALISTS.

(E) ATTEMPT TO MAINTAIN INTEREST IN A FUTURE EXPANSION OF U.S. - CZECHOSLOVAK ECONOMIC AND COMMERCIAL TIES.

(F) EXPAND U.S.-CZECHOSLOVAK CONTACTS. HERE THE ARRIVAL OF A NEW U.S. AMBASSADOR WILL BE IMPORTANT, FOR WE SENSE THE CZECHS AND SLOVAKS ARE BECOMING FEARFUL OF FALLING BEHIND THEIR WARSAW PACT NEIGHBORS IN VARIOUS TIES WITH THE UNITED STATES, AND A NEW AMBASSADOR MAY BE ABLE TO CAPITALIZE ON THIS FEELING BY PUSHING NEW PROGRAMS.

(G) BEGIN A LONG-TERM PROGRAM OF USING HISTORY TO U.S. ADVANTAGE AS THE USSR USES IT TO SOVIET ADVANTAGE. THE SOVIETS HAMMER AWAY AT 1945 AND LIBERATION FROM THE GERMANS, BY WAY OF LEGITIMIZING (UNSUCCESSFULLY) THEIR PRESENT ROLE. WE CAN CONTINUE TO CALL ATTENTION TO OUR OWN ROLE IN 1945, BUT THIS IS SUCH A SENSITIVE ISSUE THAT OUR SUCCESS MUST BE LIMITED. IT DOES SEEM POSSIBLE, HOWEVER, TO CAPITALIZE ON THE NOSTALGIA FOR MASARYK'S FIRST PUBLIC AND THE BRIEF PERIOD OF TRUE CZECHOSLOVAK INDEPENDENCE BY CALLING ATTENTION TO THE CLOSE U.S. CONNECTION WITH THAT PROCESS. THIS WOULD BE A LONG EDUCATIONAL PROCESS THAT IS NOT EASY BUT WOULD PAY DIVIDENDS IN THE FUTURE.

3. U.S. RECORD OVER THE PAST YEAR:

ONE MIGHT SAY THAT WE FARED REASONABLY WELL IN ADVANCING OUR STATED OBJECTIVES DURING THE PAST YEAR, BUT THAT IS PRIMARILY BECAUSE THOSE OBJECTIVES WERE SET REALISTICALLY LOW. TO BE FRANK, OUR PERFORMANCE OVER THE PAST YEAR IN ADVANCING U.S. INTERESTS HAS BEEN POOR (WITH SOME HAPPY EXCEPTIONS). THE CONSULATE GENERAL IN BRATISLAVA HAS NOT BEEN OPENED. THE CONSULAR CONVENTION HAS NOT BEEN PUT INTO EFFECT. U.S. EXPORTS HAVE DECLINED. THIS HAS BEEN A HOLDING OPERATION, WITH LONG-GRAVEL PUTTING A FREEZE ON AND THE ABSENCE OF AN AMBASSADOR MAKING IT DIFFICULT TO UNDERTAKE ANY MAJOR NEW INITIATIVES.

WE BELIEVE THE KSC PARTY PRESIDUM ADOPTED TWO MAJOR POLICY PAPERS ON U.S. RELATIONS SINCE DECEMBER 1974. IN THE FIRST THEY REACTED TO LONG-GRAVEL BY SAYING NO PROGRESS COULD TAKE PLACE IN BILATERAL RELATIONS SO LONG AS LONG-GRAVEL STOOD; BY THIS POLICY THEY HOPED TO APPLY PRESSURE ON

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US TO CHANGE SECTION 408 OF THE TRADE ACT. AFTER SEVERAL MONTHS THE CZECHOSLOVAKS SAW, WE BELIEVE, THAT THE EXECUTIVE BRANCH WAS DOING WHAT IT COULD IN A DIFFICULT SITUATION AND ALSO SAW THAT THE USSR AND OTHER EE COUNTRIES WERE IMPROVING RELATIONS WITH US IN SPECIFIC WAYS DESPITE THE TRADE ACT. THEN THE PRESIDUM APPROVED A NEW POLICY, WE BELIEVE, SPECIFYING THAT CERTAIN MELIORATIVE STEPS WERE POSSIBLE DESPITE LONG-GRAVEL, E.G., NEGOTIATION OF AN EXCHANGES AGREEMENT. OTHER STEPS (E.G., OPENING OF CONSULATES GENERAL IN BRATISLAVA AND CHICAGO) WERE APPARENTLY RULED OUT, AND THE GENERAL NEGATIVE LINE TOWARDS THE U.S. WAS CONTINUED IN THE PRESS AND IN POLICY. THIS DIFFERENTIATED POLICY FIRST CAME TO LIGHT IN AMBASSADOR SHERER'S FAREWELL CALLS IN LATE JULY 1975 AND WAS SPECIFICALLY ENUNCIATED BY FOREIGN MINISTER CHNOUPEK TO SECRETARY KISSINGER AT THEIR MEETINGS IN HELSINKI. THIS USEFUL MEETING, TOGETHER WITH ASSISTANT SECRETARY HARTMAN'S VISIT TO PRAGUE IN OCTOBER 1975, WERE THE MAIN EXCEPTIONS TO THE NEGATIVE RECORD LAST YEAR. ANOTHER EXCEPTION WAS GOC APPROVAL FOR LIMITED COMMEMORATION OF THE U.S. ROLE IN LIBERATING WESTERN BOHEMIA IN 1945. AGREEMENT TO NEGOTIATE AN EXCHANGES AGREEMENT WAS ALSO A POSITIVE STEP. AT THE END OF THE POLICY YEAR, THEREFORE, IT IS FAIR TO SAY THAT THE GENERAL TONE OF OUR RELATIONSHIP HAS IMPROVED, AND THE ARRIVAL OF NEW AMBASSADORS IN BOTH CAPITALS SHOULD FURTHER IMPROVE THE BILATERAL ATMOSPHERE. THUS IN THE PAST FEW MONTHS THERE WAS SOME COMING BACK FROM THE DEPTHS REACHED RIGHT AFTER LONG-GRAVEL WAS MADE LAW; BUT THE OVERALL RECORD FOR THE YEAR OF ADVANCING U.S. INTEREST IN CZECHOSLOVAKIA WAS POOR.

4. THE PRESENT SETTING AND POSSIBLE FUTURE TRENDS:

(A)IRINTERNAL. THE GOVERNMENT REMAINS STABLE, LIVING CONDITIONS ARE NOT BAD, THE DISSIDENTS ARE TROUBLESOME BUT UNDER CONTROL, AND WE DO NOT ANTICIPATE ANY IMPORTANT CHANGES IN EITHER PERSONNEL OR POLICY AT OR SOON AFTER THE FIFTEENTH PARTY CONGRESS IN APRIL. HUSAK REMAINS PRIMUS INTER PARES, AND THERE IS EVIDENCE HIS DESIRE TO LIBERALIZE IN CERTAIN AREAS REMAINS CONTESTED BY HARDER-LINE ELEMENTS; THERE IS SOME HOPE HE MIGHT STRENGTHEN HIS POSITION OVER THE COMING YEAR AND THEN BE ABLE TO EFFECT SOME LIBERALIZATION MEASURES, BUT NO ONE IS TAKING ANY BETS ON THIS. ECONOMICALLY, SECRET

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WE DO NOT FORESEE ANY GREAT DEPARTURES IN THE NEW FIVE-YEAR-PLAN: THE CZECHOSLOVAKS WILL PROBABLY CONTINUE TO MUDDLE

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THROUGH IN AN ACCEPTABLE FASHION WITH THE HELP OF CONTINUING (AND PERHAPS INCREASING) SUBSIDIZATION BY THE USSR.

(B) INTERNATIONAL. THE DOMINANT FACTOR IN CZECHOSLOVAKIA'S INTERNATIONAL SITUATION, AND IN HER RELATIONS WITH THE WEST, CONTINUES TO BE HER RELATIONSHIP TO THE SOVIET UNION. THE HUSAK REGIME REMAINS FULLY DEPENDENT ON THE SOVIET LEADERSHIP (AND HE AND BREZHNEV SEEM TO HAVE A STRONG PERSONAL RELATIONSHIP). ECONOMICALLY, CZECHOSLOVAKIA IS BECOMING MORE DEPENDENT ON THE USSR, BOTH BILATERALLY AND THROUGH CEMA. IN SEVERAL FORUMS (E.G., THE WARSAW PACT, CEMA, AND THE ECPC) WE BELIEVE THE CZECHOSLOVAKS' SUPPORT FOR THE USSR IS OF INCREASED VALUE TO MOSCOW, AS

PROBABLY SYMBOLIZED BY HUSAK'S SPLASHY VISIT TO MOSCOW IN DECEMBER. HOWEVER, THERE IS NO CHANGE IN THE COMPLETE SUBSERVIENCE OF THE CSSR'S FOREIGN POLICY TO THE USSR. THE CZECHOSLOVAKS HAVE MADE MUCH DURING THE PAST YEAR OF THEIR IMPROVING RELATIONS WITH THE WEST (WITH THE ALWAYS NOTED EXCEPTION OF THE UNITED STATES); WE EXPECT THIS DRIVE FOR ACCEPTABILITY TO CONTINUE, AND TO BE SYMBOLIZED BY HIGH-LEVEL VISITS (AMONG WHICH HUSKA'S TO BONN WILL BE OF ESPECIAL SIGNIFICANCE). AS A CONCOMITANT TO CZECHOSLOVAKIA'S INCREASING ACCEPTANCE WITHIN THE INTERNATIONAL COMMUNITY, WE SEE SOME FIRST SIGNS OF A NEW EMPHASIS ON CZECHOSLOVAK HISTORY AND ON CZECHOSLOVAKIA'S UNIQUE IDENTITY ON THE WORLD SCENE. LIKE HUSAK'S INCREASED STATURE, THIS IS A POSSIBLE EARLY PRECURSOR TO A GRADUAL COMEBACK FROM 1968, WHICH IN INTERNATIONAL AFFAIRS COULD LEAD EVENTUALLY TO A MORE INDEPENDENT CZECHOSLOVAK ROLE. BUT AGAIN NO ONE IS TAKING ANY BETS, AND FOR THE PRESENT THIS COUNTRY REMAINS FULLY SUBSERVIENT TO THE USSR.

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(C) BILATERAL. THE WHOLE GAMUT OF U.S.-CZECHOSLOVAK RELATIONS WILL REMAIN COLORED BY THE LONG-GRAVEL AMENDMENT AND THE SUSPENDED GOLD/CLAIMS AGREEMENT. GIVEN THE PENDING SUIT IN THE U.S. DISTRICT COURT IN WASHINGTON, THE SITUATION NOW SEEMS EVEN LESS PROPITIOUS THAN IT WAS A YEAR AGO. EVEN IF HMHAT IS RESOLVED, THIS BEING AN ELECTION YEAR, THERE SEEMS LITTLE CHANCE OF AN ADVANCE ON GOLD/CLAIMS UNTIL WELL INTO 1977. (THE CZECHOSLOVAK MFA IS AWARE OF THIS LIKELIHOOD.) ONE NEW ELEMENT WHICH COULD PROVE TO BE OF SOME UTILITY IN ATTEMPTING TO MOVE FORWARD IN OUR BILATERAL RELATIONS IS THE HELSINKI FINAL ACT.

IN SUM, PRESENT TRENDS OFFER LITTLE REALISTIC HOPE FOR ANY MAJOR FORWARD MOTION IN BILATERAL RELATIONS OVER THE NEXT ONE TO TWO YEARS.

A REALISTIC POLICY ASSESSMENT AND REALISTIC RECOMMENDATIONS MUST TAKE INTO ACCOUNT CZECHOSLOVAK INTERESTS VIS-A-VIS THE UNITED STATES AS WELL AS OURS HERE, FOR THEY DETERMINE TO A LARGE EXTENT THE LEVERAGE WE CAN EXERT IN ADVANCING U.S. INTERESTS. WE SEE CZECHOSLOVAK INTERESTS AS BASICALLY THREEFOLD. FIRST, THERE IS THE DESIRE TO EMERGE COMPLETELY FROM THE PARIAH STATUS TO WHICH SHE WAS CONDEMNED AFTER 1968 AND THE DRIVE TO GAIN THE MAXIMUM DEGREE OF INTERNATIONAL ACCEPTABILITY. SECOND, THERE IS THE INTEREST--A MIXTURE OF EMOTION, PRESTIGE AND HARD ECONOMICS--IN REGARDING THE LOOTED WORLD WAR II GOLD. FINALLY, THERE IS THE ECONOMIC ISSUE OF MOST-FAVORED-NATION STATUS.

TO THE EXTENT CZECHOSLOVAKIA'S RELATIONS WITH OTHER WESTERN COUNTRIES IMPROVE, THE NEED FOR IMPROVED RELATIONS WITH THE UNITED STATES TENDS TO DECREASE, ESPECIALLY IF THIS TREND IS REINFORCED BY A HARDENING IN THE U.S.-SOVIET

ATMOSPHERE. AND AS LONG AS THE SECOND AND THIRD OBJECTIVES ARE DENIED CZECHOSLOVAKIA BY U.S. LAW (AS THEY ARE NOW BY THE JACKSON-VANIK AND LONG-GRAVEL PROVISIONS), INCENTIVES FOR IMPROVED RELATIONS FROM THE CZECHOSLOVAK SIDE ARE MINIMAL. OFFICIALS MAINLY CONCERNED WITH INTERNATIONAL RELATIONS, ABOVE ALL FOREIGN MINSITER CHNOUPEK HIMSELF, WOULD LIKE TO SEE SOME MOVEMENT, TO COMPLETE THE "NORMALIZATION" RECORD. BUT TO THOSE HARD-NOSED TYPES WITHIN THE PARTY APPARATUS, THERE MUST AT PRESENT BE PRECIOUS LITTLE INCENTIVE TO DO ANYTHING UNTIL THEY CAN SEE

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SOME REALISTIC PROSPECT OF PROGRESS TOWARDS GOALS TWO AND THREE ABOVE. THE OUTLOOK IS THEREFORE NOT FOR ANY IMPORTANT CONCESSIONS FROM THE CZECHOSLOVAK SIDE IN ORDER TO MOVE RELATIONS FORWARD, PENDING LIFTING OF THE LONG-GRAVEL ROADBLOCK.

5. RECOMMENDATIONS:

ALTHOUGH IT IS CLEAR FROM THE FOREGOING THAT WE ARE PESSIMISTIC ABOUT PROGRESS ON THE CLAIMS/GOLD FRONT, WE NEVERTHELESS BELIEVE THE DEPARTMENT'S EFFORTS SHOULD BE CONCENTRATED THERE. PROGRESS THERE IS THE SINE QUA NON FOR IMPORTANT PROGRESS ELSEWHERE, AND EVEN SOME EFFORT WITHOUT IMMEDIATE ACCOMPLISHMENT WILL YIELD DIVIDENDS WITH THE CZECHS AND SLOVAKS. WHILE WORKING IN THAT DIRECTION, FOR THE NEXT YEAR WE MUST DIRECT OUR EFFORTS AT IMPROVING THE BILATERAL CLIMATE (E.G., BY BETTER PRESS COVERAGE) AND AT INCREASING EXCHANGES, WHICH IN THE CONTEXT OF THE NEW EXCHANGES AGREEMENT MAY WELL BE FEASIBLE. WE SHOULD ALSO WORK ON THE POSSIBLE STEPS IN THE CSCE CONTEXT, E.G., ON FAMILY UNIFICATION AND VISA POLICY. UNLESS EAST-WEST DETENTE GOES UTTERLY SOUR UNDER THE INFLUENCE OF THE U.S. ELECTIONS AND OF SOVIET POLICIES AROUND THE GLOBE, THE CZECHOSLOVAKS WILL NOT WANT TO FALL TOO FAR BEYOND THEIR SOVIET COMRADES IN RELATIONSHIPS WITH THE U.S.; SO THE FOLLOWING RECOMMENDATIONS HAVE SOME HOPE FOR AT LEAST PARTIAL SUCCSES.

(A) LONG-GRAVEL/CLAIMS-GOLD. AT THIS DISTANCE, THE EMBASSY IS HESITANT TO TRY TO OFFER SPECIFIC ADVICE. WE UNDERSTAND THAT THE DISTRICT COURT SUIT TIES THING UP, AND OUR OLD RECOMMENDATION FOR A DIRECT THRASHING-OUT OF THE ISSUES WITH SENATOR LONG IS NO DOUBT DIFFICULT OF REALIZATION. FROM THE CZECHOSLOVAK VIEWPOINT, HOWEVER, THE EXECUTIVE BRANCH HAS DONE NOTHING CONCRETE SINCE THE TRADE ACT WAS SIGNED TO OVERCOME SECTION 408: WE BELIEVE A GREATER SHOW OF ACTIVITY WOULD PAY OFF EVEN IF IT DID NOT CHANGE THE FUNDAMENTAL SITUATION. SPECIFICALLY, THE ARRIVAL OF NEW AMBASSADORS AT LEAST GIVES US A CHANCE TO REVIEW THE TERRAIN AND GET IN CONTACT WITH INTERESTED PARTIES. THE EMBASSY RECOMMENDS THAT THE NEW U.S. AMBASSADOR SPEND SOME TIME IN WASHINGTON TALKING TO INTERESTED PARTIES, INCLUDING SENATOR LONG

DIRECTLY, TO ASSESS THE SITUATION AND POSSIBLY DISCOVER AVENUES
TOWARDS CHANGE. FRANKLY, IF HE ARRIVES IN PRAGUE NOT HAVING

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EXPLORED THIS SITUATION THOROUGHLY, HE WILL BE OFF TO A BAD
START; BUT IF HE COMES SAYING HE HAS PRESSED AS HARD AS HE
CAN FOR A REMEDY (WHICH MAY OR MAY NOT BE IN THE OFFING),
WE SEE DISTINCT POSSIBILITIES FOR HIM TO AFFECT THE BILATERAL
ATMOSPHERE FOR THE BETTER. (THE NEW CZECHOSLOVAK
AMBASSADOR, JOHANES, IS AN INTELLIGENT AND SOPHISTICATED
MAN AND SHOULD BE ABLE TO HELP THE DEPARTMENT IN THESE
EFFORTS.) AT BEST, PERHAPS A COMPROMISE COULD BE FOUND
ENABLING US TO RENEGOTIATE THE CLAIMS AGREEMENT THIS YEAR. AT
WORST, WE COULD AT LEAST BE IN A POSITION TO GO TO THE NEW
CONGRESS VIGOROUSLY IN EARLY 1977 WITH A CLEARER IDEA OF
WHAT MIGHT BE POSSIBLE. (FOOTNOTE: THE STATUS QUO, I.E.,
ANOTHER YEAR OF NO ACTIVITY--NO MATTER HOW GOOD OUR REASON--
IS THE LEAST DESIRABLE ALTERNATIVE, FROM WHERE WE SIT.)

(B) BILATERAL ATMOSPHERE. WE LOOK FOR A BAD YEAR
IN THE U.S.-CZECHOSLOVAK BILATERAL ATMOSPHERE, BECAUSE
DETENTE WILL PROBABLY HAVE A BAD YEAR IN THE U.S., AND THE
HARDLINE AGITPROP TYPES HERE WILL CONTINUE TO HAVE A FIELD
DAY WITH US. UNFORTUNATELY, THE ASCENDANCY OF THE IDEOLOGUES
IS PART OF THE BALANCING ACT BY WHICH THE HUSAK REGIME RULES;
IT IS HARD TO CHANGE, EXCEPT BY MAKING IT IN THE CZECHO-
SLOVAKS' INTEREST TO DO SO. THIS MEANS CONTINUING TO DO WHAT
THE EMBASSY AND ASSISTANT SECRETARY HARTMAN DURING HIS

OCTOBER VISIT HAVE DONE, STRESSING THAT A BETTER ATMOSPHERE (AND SPECIFICALLY A BETTER PRESS) WILL HELP ATTAIN BETTER RELATIONS IN CONCRETE WAYS, WHILE REBUTTING THE CZECHOSLOVAK POSITION THAT THE ATMOSPHERE CAN IMPROVE ONLY WHEN RELATIONS (ESPECIALLY ON CLAIMS/GOLD) IMPROVE. HERE THE NEW AMBASSADOR CAN PROBABLY MAKE SOME IMPRINT ON CZECH MINDS, ESPECIALLY IF HE BEARS A HIGH-LEVEL MESSAGE TO HIS EFFECT; AND SENIOR
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OFFICIALS CAN MAKE THE SAME POINT TO JOHANNES. (WE SUGGEST ALSO THAT ESPECIALLY CAREFUL EFFORTS BE MADE IN 1976 TO KEEP THE CONTENT OF RFE AND VOA BROADCASTS WITHIN PROPER BOUNDS.) WE RECOMMEND PATIENT PRESSURE ON THE GOC IN THIS AREA, ALONG WITH A REALISTIC EXPECTATION OF LITTLE SHORT-TERM SUCCESS.

(C) AMERICAN CITIZEN INTERESTS. USG SHOULD CONTINUE TO PRESS THE MFA ON THE QUESTION OF "DIVIDED FAMILIES." IN THE LIGHT OF THE HELSINKI FINAL ACT, WE WOULD PROPOSE TO ABANDON THE TERM "DIVIDED FAMILIES," HOWEVER, AND MORE BROADLY OF "FAMILY VISITS AND FAMILY REUNIFICATION," RELATING EACH CASE SPECIFICALLY TO HELSINKI. WE PROPOSE TO TAKE THE SAME LINE IN THE NUMEROUS CASES IN WHICH U.S. CITIZENS OF CZECH OR SLOVAK ORIGIN ARE REFUSED CSSR VISAS.

(D) INFORMATION AND CULTURAL ACTIVITIES. PROSPECTS ARE PERHAPS BRIGHTEST IN THIS FIELD. IN TRUMPETING WHAT THEY CONSIDER TO BE THEIR COMPLIANCE WITH CSCE, THE CZECHOSLOVAKS HAVE NOT PARTICULARLY WHAT THEY HAVE DONE IN THIS AREA, FOR EXAMPLE THAT THEY NOW HAVE CULTURAL AGREEMENTS WITH SOME FORTY COUNTRIES. MFA OFFICIALS HAVE INDICATED THAT U.S.-CSSR PROGRESS IN THIS FIELD IS NOT DIRECTLY LINKED TO PROGRESS ON THE CLAIMS AGREEMENT. OFFICIALS IN THE MINISTRIES OF EDUCATION AND OF CULTURE HAVE RECENTLY INDICATED READINESS TO INITIATE NEW PROGRAMS OF EXCHANGES INVOLVING CZECHOSLOVAK PROFESSORS (WITH FAMILIES) AND STUDENTS GOING TO THE UNITED STATES. AN INTEREST IN OTHER VISITOR PROGRAMS HAS BEEN SHOWN. AND FORMAL READINESS TO ENTER INTO THE TALKS FOR THE EXCHANGES AGREEMENT HAS BEEN INDICATED. WE RECOMMEND THAT WE RESPOND PROMPTLY TO THE INVITATION TO BEGIN NEGOTIATIONS. WE ALSO RECOMMEND THAT RESOURCES BE ALLOCATED FOR AN EFFORT TO EXPAND BILATERAL EXCHANGES OF VISITS: DESPITE OUR POLITICAL STALEMATE, THIS AREA DOES SEEM TO OFFER SOME HOPE. FINALLY, WE RECOMMEND (AS NOTED ABOVE) CONSIDERATION BE GIVEN TO A LONG-TERM INFORMATIONAL CAMPAIGN ABOUT THE U.S. ROLE IN CZECHOSLOVAK HISTORY, EMPHASIZING CZECHOSLOVAKIA'S HONORABLE PLACE IN EUROPEAN HISTORY AND THE U.S. CONNECTION WITH IT. (NOTE: A SPECIAL PROBLEM IN THE INFORMATIONAL FIELD IS VISAS FOR JOURNALISTS. WE RECOMMEND CONTINUED U.S. INSISTENCE ON ROUGHLY RECIPROCAL CONDITIONS, E.E., VISITS ALLOWED BY U.S. JOURNALISTS IF CZECHOSLOVAK JOURNALISTS ARE PERMANENTLY RESIDENT IN THE UNITED STATES. THIS IS A SENSITIVE AREA, BUT ONE WHERE THE CZECHOSLOVAKS ARE

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VULNERABLE OWING TO CSCE: WE SHOULD CONTINUE TO WORK PATIENTLY AT CHANGING THEIR POSITION TOWARDS MORE LIBERAL ENTRY FOR VISITING JOURNALISTS.)

(E) COMMERCIAL INTERESTS. WITH THE PASSAGE OF THE TRADE ACT OF 1974, THE GOC INFORMEE US LAT WHILE SECTIONS 402 AND 408 WOULD BE BARRIERS TO THE EXPANSION OF TRADE, THE GOC WOULD NOT INTERPOSE ANY BARRIERS TO CONTINUATION OF TRADE AT THE 1974 LEVEL. THOUGH INTENTIONS MAY HAVE BEEN GOOD, TRADE HAS IN FACT FALLEN OFF BETWEEN 15 AND 20 PER CENT (MORE IF INFLATION IS CONSIDERED). THE HELSINKI FINAL ACT ALSO OFFERS SOME ENCOURAGEMENT HERE, FOR THE GOC HAS ANNOUNCED THAT FOREIGN BUSINESSES WILL BE ALLOWED TO ESTABLISH OFFICES IN THE CSSR. RATHER THAN EXPECTING ANY NEAR-TERM EXPANSION OF U.S. TRADE OR WIDER ECONOMIC TIES WITH CZECHOSLOVAKIA, WE RECOMMEND TRYING AT THIS POINT (THROUGH SUCH MEANS AS TECHNICAL SALES SEMINARS AND PARTIVXPATION IN THE BRNO FAIR) TO SUPPORT THE CMEA THAT THE USG AND U.S. INDUSTRY REMAIN INTERESTED IN COOPERATION AND DOING BUSINESS WITH CZECHOSLOVAKIA, THUS KEEPING THE WAY OPEN FOR THE EXPANSION OF TRADE WE BELIEVE IS POSSIBLE IN THE FUTURE.

(F) RESOURCES. GIVEN THE RELATIVELY MODEST GOALS SET FORTH ABOVE, THE EMBASSY'S RESOURCES APPEAR GENERALLY ADEQUATE FOR THE PRESENT. WE STRONGLY RECOMMEND, HOWEVER, THAT CZECHOSLOVAKIA BE GIVEN A SOMEWHAT LARGER SHARE OF THE EXCHANGES BUDGET, FOR WE BELIEVE THE PROSPECTS ARE GOOD FOR AN EXPANSION OF VISITS AND EXCHANGES IN 1976-77, PARTICULARLY AFTER NEGOTIATION OF AN EXCHANGES AGREEMENT. WE WOULD ALSO APPEND THE PROVISIO THAT IF THE LONG-GRAVEL ROADBLOCK IS REMOVED, WE BELIEVE THE PROSPECTS FOR INCREASED BILATERAL ACTIVITY OF VARIOUS KINKS IS GOOD, AND WOULD MERIT INCREASED RESOURCES FROM THE U.S. GOVERNMENT.
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